

REPORT TITLE: WINCHESTER TOWN ACCOUNT BUDGET FOR 2024/25 (TO BE RECOMMENDED TO CABINET)

25 JANUARY 2024

REPORT OF FINANCE MANAGER

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WARD(S): ALL TOWN WARDS

PURPOSE

This report presents the current financial projections for the Town Account for the period 2023/24 to 2027/28 and financial sensitivities, in order that recommendations can be made to the Cabinet on the budget to be set within the Winchester Town area for 2024/25.

RECOMMENDATIONS:

1. Agrees the draft budget for 2024/25 and the indicative projections for the strategy period as shown in Appendix 1;
2. Approves an increase in the target minimum town reserve balance from 10% to 15% of annual net service expenditure;
3. Approves an increase of £5,841 to the baseline town revenue budget from 2024/25, in respect of increased reactive maintenance and annual life expectancy reports on play equipment;
4. Considers the Council Tax precept for the Town area which it wishes to recommend to Cabinet, noting the requirements for the Council to keep within overall referendum requirements.

IMPLICATIONS:**1 COUNCIL PLAN OUTCOME**

1.1 The responsibilities of the Town Forum are delivered within the wider goals of the Council Plan. The Town Forum focuses on themes in the plan by delivering targeted services.

- a) We deliver our greener faster agenda via the open spaces we look after. We contribute to 'living well' via the careful management of open spaces, play areas, having close ties with Planning policy and looking after our heritage sites. We work very closely with Winchester City of Sanctuary, making Winchester a welcoming city to all.
- b) We support 'homes for all' by being active in our homelessness work in the city, and by supporting the energy efficiency retrofit of the homes the Council owns.
- c) By working with the BID and direct with businesses and the culture offer we have within the city, we strongly support our vibrant local economy.
- d) We are owners and advocates of the Winchester Vision and seek to give our residents and businesses options to influence our services and to have a say in where we spend our money. We welcome the public to our meetings and are promoters of 'your services, your voice'.
- e) Under the theme of pride in place, we are very focussed on service delivery for the improvement of our city centre and have demanded higher standards in cleanliness, removal of graffiti and the reduction of anti-social behaviour in the city centre. Much of our budget is focussed on keeping the city centre clean and well cared for.

This budget paper is proposed in the context of maintaining the momentum we have built up to achieve our goals, in the challenging financial times we are currently experiencing.

2 FINANCIAL IMPLICATIONS

2.1 Identifying and analysing the financial risks and pressures helps to ensure the effective prioritisation of resources in order to deliver the Council Strategy and maintain a balanced budget.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 None directly in this report, though individual projects are subject to review by Legal Services and Procurement where required.

4 WORKFORCE IMPLICATIONS

- 4.1 Services provided by the Town Forum are budgeted for within this paper. Any future changes to services or service levels may impact on the workforce who deliver those services. Should there be any proposed changes following the recommended review, each case for change will identify the impact on the resources.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None directly resulting from this paper.

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been discussed with the town account informal group and relevant staff. Recommendations agreed at town forum will go to Cabinet in February as part of the General Fund budget. To note that town budget is part of the general fund budget consultation process and Cabinet papers.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The budget is shaped to support the Council Plan and priorities within it.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 None directly resulting from this paper.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 No personal data was used in the preparation of this budget paper.

10 RISK MANAGEMENT

- 10.1 The main source of funding for baseline recurring expenditure is the town precept. As a stable source of funding overall financial risk is therefore relatively low but consideration must be taken of the requirement for the town to keep within government referendum limits (a restriction not currently applicable to parish councils).

Risk	Mitigation	Opportunities
<i>Failure to set a balanced budget over the medium term.</i>	<i>Financial projections are shown up until 2027/28 and the scenario planning highlights the potential sensitivities. Planning over a longer period will help to ensure understanding of the scale of the financial challenges and early</i>	<i>Long term strategic planning. Innovative funding streams. Transformational efficiency savings.</i>

	<i>planning enables enough lead in time for the implementation of the budget options.</i>	
<i>Council's service priorities are not reflected in the budget.</i>	<i>The budget planning process, including the process of outcome based budgeting and the informal account group meetings which review the detailed budgets and strategy.</i>	<i>Ensure the prioritisation of resources to best meet the outcomes of the authority.</i>
<i>High levels of contractual inflation and the continuation of current precept referendum limits.</i>	<i>Medium term financial planning and sensitivity analysis highlighting the challenges posed by high inflation.</i>	<i>Transformational efficiency savings.</i>

11 SUPPORTING INFORMATION:

- 11.1 This budget report has been produced at a very challenging time for the town account. High inflation levels have had a significant impact on budget projections due to high levels of contractual expenditure within the town, such as grounds maintenance. It was recognised during the budget process last year that material savings were required in order to deliver a balanced medium term budget.
- 11.2 The Winchester Town Forum (Informal Account) Group have met three times in total in order to establish the key focus of the budget process and any priority resource considerations to bring back to the Town Forum.

Winchester Town Precept

- 11.3 The town forum recommended a precept for 2023/24 of £80.93 (per band D property), which was approved at Council in February 2023. The decision on the level of council tax for 2024/25 will be taken at Council in February 2024.
- 11.4 The town will need to consider its proposed strategy for the Town Precept but will need to bear in mind that any decisions will be subject to 'referendum limits' and may be impacted by decisions taken on the level of district Council tax.
- 11.5 It has now been confirmed the overall referendum limit for the Council in 2024/25 be either 2.99% or +£5, which means +2.99% applies as the higher limit. This would mean the maximum district and town increase would be just under 3%. The maximum increase for the town or district are interrelated, for example if the district increased by a lower percentage then the town could increase by a higher percentage and still remain within the overall referendum limit.

- 11.6 The council tax base for 2024/25 was confirmed in December and has resulted in a slightly above average increase in the tax base for the town area from 14,666 to 14,919. This means an overall precept increase of around £20k before any change in the precept charge.
- 11.7 This paper assumes a core precept increase of 3% (£2.43) to £83.36 for 2024/25. Based on the forecasts within Appendix 1 this would leave the town reserve below recommended levels in 2025/26. Potential options relating to the precept are shown below and it should be noted that the grounds maintenance contract was uplifted from October 2023 based on September CPI of 6.7%. This contract is the most significant expenditure line within the town budget.

Effect of increasing the Town Precept 2024/25

% MAX District Increase	% TOWN Precept Increase	Additional Income £000	Town Precept	Town Precept £ Increase
	0%		£80.93	
3.00%	3.00%	36	£83.36	£2.43
2.75%	4.6%	56	£84.65	£3.72
2.62%	5.5%	66	£85.38	£4.45

Budget Review 2024/25

Review Update

- 11.8 The informal accounts group have presented a budget forecast in Appendix 1 which currently shows shortfalls in the medium term financial strategy reserve target of 10%, along with a desire to increase this target to 15%. This is despite a core baseline assumption of a precept increase of 3%. Consideration will need to be given as to whether to increase the precept above the current forecast of 3% for 2024/25.
- 11.9 An update on the four main budget review areas, agreed in the 2023/24 budget process, was presented to the town forum in September and November. It is noted that the reviews relating to Cemeteries and Open Spaces and Grounds Maintenance have been merged into the TC25 programme with recommendations now expected during 2024/25. Given expenditure in these areas encompasses a very significant proportion of the overall town budget it is anticipated that the proportionate levels of scrutiny will be carried out and reported back to the town forum.
- 11.10 WTF326 Budget Review Play Refurbishment Programme, presented options for capital refurbishment of play areas which was significantly less than had been previously estimated. The total forecast of £470k over the five year period from 2024/25 to 2028/29 compared to previous assumptions of £770k over the same period. In order to support this programme and strategy update

a revenue growth requirement of £5,841 was identified in order to ensure that existing equipment continues to be maintained to a decent standard.

11.11 **Community Infrastructure Levy (CIL)** – the Neighbourhood CIL (Town) receivable balance stood at £1.142m as at April 2023. Commitments include £0.295m towards North Walls Pavilion; £0.450m towards KGV Pavilion; £0.050m towards the KGV Park Plan; £0.050m towards Abbots Barton and Hyde Scouts Facility; £0.034m remaining on North Walls Lighting and Fencing; and £0.010m for Milland Road.

- The principles for spending the Winchester Town Forum's share of CIL were approved in November 2016 (see WTF245), in order to provide for the community led improvement of the environment and infrastructure in the Winchester Town.
- Based on historic receipts around £150k to £200k of town CIL is expected per annum. There are risks around relying on this funding as reductions in development in the town area or changes to the CIL scheme could significantly impact on future receipts. As such this future forecast is used for planning purposes but is not to be committed to schemes as certain funding.

11.12 The following central case assumptions have been used in the financial forecast shown in Appendix 1:

	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast	2027/2028 Forecast
Assumptions:				
Contract inflation	6%	4%	2%	2%
Percentage increase in tax	3%	3%	3%	3%
Tax Base	Actual	1.2%	1.2%	1.2%

11.13 The sensitivity of the above assumptions is as follows:

- a) Contract Inflation is around £6k per 1%. If inflation were 15% for 2024/25 then this would cost an additional £30k per annum.
- b) A 1% precept increase generates additional funding of c£12k per annum.
- c) A 1.2% tax base increase generates additional funding of c£15k per annum. Whilst 1.2% is a reasonable long term forecast increase per annum, there can be significant year-on-year deviations to this average.

Capital Expenditure

- 11.14 Capital expenditure is either funded directly from the Town Account Earmarked Reserve, external funding such as CIL, or through the General Fund and repaid over the life of the asset (along with interest).
- 11.15 In January 2017 (WTF250) the Town Forum approved a strategy to fund the long term requirements of the play area refurbishment up until the end of 2024/25, from the Town Account Earmarked Reserve. Play area refurbishments in the town make up the largest proportion of town capital expenditure.
- 11.16 There is a total proposed budget of £0.744m in the capital programme towards play area refurbishments, £0.274m is approved to be spent in 2023/24 and £0.470m is proposed for 2024/25 to 2028/29.

Reserves

- 11.17 The Winchester Town Account earmarked reserve is available to support planned one-off expenditure over the medium term as well as a contingency balance of 10% of the total annual net expenditure which is set aside to deal with any urgent / unexpected requirements. Based on demands on the reserve over a number of years the informal accounts group are recommending that the target contingency balance is increased to 15% in order to provide greater cover for exceptional expenditure requirements. The current 10% level equates to c£120k based on forecast 2024/25 net service expenditure, which is a relatively small amount given the risks and responsibilities relating to the town. A level of 15% would increase this to £180k, providing greater assurance that risks can be dealt with from the town reserve whilst also allowing time to replenish the reserve. Given the current referendum limits and demands on the town budget it may take a number of years to build the reserve back up to target levels if there is unexpected unavoidable expenditure.
- 11.18 The current forecasts in Appendix 1 show the reserve falling to around 6% in 2025/26 (£80k). The town forum will need to bear this in mind when making recommendations relating to the town precept and the remaining review areas in 11.9.
- 11.19 Currently the capital budget forecasts listed above, particularly the significant programme of play area refurbishments are planned to be funded from the Town reserve. It is therefore important that long term planning ensures funding is in place to support these projects.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Continue with the current target precept level of 10%. This option was rejected as it was considered it does not provide an adequate level of ongoing reserves to meet exceptional expenditure requirements.

BACKGROUND DOCUMENTS:-

None

Previous Committee Reports:-

Winchester Town Account Medium Term Financial Position (Draft Budget Options) – WTF324 – November 2023

Winchester Town Account Financial Planning – WTF322 – September 2023

Winchester Town Account Budget for 2023/24 – WTF314 – January 2023

Other Background Documents:-

None

APPENDICES:

Appendix 1: Medium Term Financial Projections